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UNITED STATES DEPARTMENT OF AGRICULTURE  
Washington, D. C.

STATEMENT CONCERNING COMMENTS THAT SOIL BANK PROGRAMS GIVE SPECIAL  
ADVANTAGES TO CORN FARMERS AT THE EXPENSE OF OTHER FARMERS

Charges by some of our Southern farm leaders that the Soil Bank programs discriminate against the South have been based generally on three contentions:

(1) The acreage reserve program for 1956 was more attractive to the corn farmers, as evidenced by the high percentage of the total compensation that will be paid for corn acreage placed in the acreage reserve; (2) a corn base acreage which was 8 million acres above the national corn allotment was provided for the corn farmers, whereas farmers of other commodities were required to reduce from their allotments in order to participate in the acreage reserve program; and (3) the payment rates established for corn and wheat provided more incentive for farmers to reduce their acreages than was the case with respect to cotton, peanuts and tobacco. Facts and circumstances concerning these three points are:

- (1) The maximum payment for farmers who have signed agreements under the 1956 Acreage Reserve Program of the Soil Bank is \$261 million. The maximum payment for corn acreage placed under acreage reserve is \$181 million, as compared with \$80 million for the other basic crops.

Participation by farmers in Soil Bank programs is on a voluntary basis. Under the 1956 Acreage Reserve Program, offers to place acreage in the acreage reserve were accepted from all eligible farmers who made application. The 1956 Acreage Reserve Program reached the field in June - three or four weeks after the Soil Bank Act became law. Corn had not yet been planted in some of the northern areas. In the major corn belt, the crop was in a very early stage of cultivation. In July, the corn crop in much of Iowa and Nebraska was seriously threatened by drought. Farmers rushed to put their corn acres in the acreage reserve. In these two States alone, the maximum payment for corn acreage amounted to \$88 million.

On the other hand, in the Southeastern section of the country where cotton, tobacco and peanuts are grown, these crops were well advanced by the time the Acreage Reserve Program for 1956 could be made available to farmers. Much of the total cost of production had already been invested by farmers for seed, fertilizer, insecticides and machines and manual labor involved in cultivation. Except for parts of the Southwest, crop conditions were generally favorable. With the favorable outlook for crops that were well advanced toward maturity, the acreage reserve program was less attractive to cotton, tobacco and peanut growers than in the case of corn farmers. There is also a general reluctance on the part of farmers to plow under any crop approaching maturity. Of the total maximum payment for land placed under acreage reserve, there was \$27 million obligated for cotton, \$591 thousand for peanuts, and \$6.6 million for all types of tobacco.

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- (2) The provision for establishing a corn base acreage of 51 million acres, 8 million acres above the 1955 national corn allotment, is a part of the Soil Bank Act. This provision is commonly referred to as the "Hickenlooper Amendment."

When the Soil Bank program was being developed it was necessary to face a special situation with regard to corn. Corn acreage allotments, established under the "supply" formula of the controlling legislation, had been reduced to a level which was not a realistic guide for corn acreage in the commercial corn area. With a national corn allotment of 47 million acres for 1954, only about 40 percent of the corn farmers in the commercial area were in compliance with their farm allotments. In 1955 the allotment was increased to 49.9 million acres, but only slightly more than half of the farmers in the commercial corn area complied with their allotments. For 1956, the legislative formula resulted in a national corn allotment of 43.3 million acres - a reduction of 6.6 millions acres below 1955. Compliance with allotments could have been expected to be even less than the 40 percent compliance for 1954. Few farmers would have been interested in reducing their corn crop below their relatively small allotments in order to take part in the corn acreage reserve program.

For most of the basic crops other than corn, the law provides a minimum level for national allotments. This minimum applies when the supply formula of the legislation would cut acreage to a lower figure. The minimum national cotton allotment for 1956 was 17,391,304 acres. For 1957, legislation included in the Soil Bank Act adds about 200,000 acres to this minimum. Corn has no such minimum. The national allotment for the commercial corn area is set by the supply formula, no matter how low this goes.

Establishing the national corn base of 51 million acres represents a realistic step to restore a measure of equity to a situation badly out of balance. Even this base is considerably below the 56.5 million acres planted to corn in commercial counties in 1954 and the 56 million acres for 1955.

- (3) The base unit rates for compensation for eligible crops for the 1956 Acreage Reserve Program were established on the basis of the factors specified in the Soil Bank Act. The Act provides that "Compensation under this section shall be at such rate or rates as the Secretary determines will provide producers with a fair and reasonable rate for reducing their acreage of the commodity, taking into consideration the loss of production of the commodity on the acreage reserve, and the incentive necessary to achieve the acreage reserve goal." The payment rates for the 1956 Acreage Reserve Program were determined on the basis of those factors. They do not all represent the same percentage of parity price, and they could not if they were to be 'fair and reasonable'. These payments are designed to offset loss of NET income when farmers put acres in the Soil Bank and take them out of current production. In simple terms, that means to make up the difference between out-of-pocket production costs and sales price. If production costs per unit are relatively higher for some crops, such as cotton, as compared with those for other crops, such as wheat, then the unit rate would be correspondingly lower.





The 1956 Acreage Reserve Program does not provide a fair test of the effectiveness of the compensation rates determined on the basis of the factors specified in the Act. With the program being offered at a time when crops throughout the country were at various stages of advancement toward maturity, it was impossible to accurately measure the "incentive necessary to achieve the acreage reserve goal."

Far from being the subject of discrimination, the South can look forward to many advantages under the Soil Bank. The proportion of available funds that can be used for the acreage reserve program for cotton is the same as for corn in the commercial corn area, although the national allotment for corn is nearly three times the national allotment for cotton. The national maximum compensation of \$300 million for cotton compares with \$375 million for wheat, yet the national acreage allotment for wheat is more than three times as large as the national cotton allotment.

The provisions of the conservation reserve program which were recently announced should be particularly attractive to the Southeast. It is our belief that perhaps as much as 50 percent of the compensation that will be made under this program for devoting farm land to forestry practices will be paid to farmers in the Southeastern States.

With the year 1957 providing the first full year in which to measure the effectiveness of the Soil Bank, we hope the Southeast will soon feel the effect of the many advantages of the Soil Bank programs. Please be assured of our interest in continuing to receive your views and suggestions concerning the Soil Bank.





